

EXECUTIVE SUMMARY

Last year proved to be another banner year for the Gem State's economy. Whether measured by jobs, population, or income growth Idaho has been on a roll recently. Indeed, after stalling in 2002, Idaho nonfarm employment growth has accelerated in every year since then, with its momentum pushing it to 4.6% in 2006—its strongest showing in a dozen years. A noteworthy facet of this strong showing is virtually all employment sectors posted gains last year. The U.S. Census Bureau estimates Idaho's July 1, 2006 population at 1,466,465 persons, or a gain of 2.6% from 2005. Idaho nominal personal income advanced nearly eight percent last year, versus 6.3% for the nation. A notable exception to last year's economic growth honor roll was housing starts. After peaking at 23,173 units in 2005, this measure slid by 16.4% to 19,374 units in 2006. Several factors suggest this year will be the most difficult, but starts will recover to more sustainable levels by the latter years of the forecast. These fundamentals include strong population growth, healthy income and employment growth, and relatively low interest rates and housing costs. Although these factors will not push the number of starts up to 2005's record showing, they should remain respectable by historical standards. After enjoying impressive growth in 2005 and 2006, Idaho's economy is anticipated to advance more slowly over the next few years. Nonfarm employment should increase 2.1% this year, 2.0% next year, 2.3% in 2009, and 2.9% in 2010. After advancing a heady 2.6% last year, Idaho's population is forecast to increase 2.3% in 2007, 2.1% in 2008, 2.0% in 2009, and 2.2% in 2010. Idaho nominal personal income is projected to advance 6.2% in 2007, 5.9% in 2008, 6.5% in 2009, and 7.3% in 2010. While nominal personal income growth is slower than in 2006, it should continue to grow faster than national personal income over the forecast horizon.

The U.S. economy ends 2006 like a lion, but starts 2007 like a lamb. After advancing by a subpar 2.0% annual pace in the third quarter of last year, real GDP posted a small rally in the last quarter, growing by 2.5%. The current forecast calls for output to slip to a 1.3% annualized rate in this year's first quarter. Real output is being held down by housing, software and equipment spending, and inventories. The housing sector has been a drag on the economy since the last quarter of 2005. Software and equipment spending has been soft recently. The biggest drag will come from inventories; it lops 1.3 percentage points off real GDP in the first quarter. The expected weakness during the first part of this year raises worries regarding risks to the forecast. A major concern is the subprime mortgage meltdown. Over the past few months, over two dozen lenders have filed for bankruptcy, sought buyers, or ceased operations. Meanwhile, both delinquency rates and foreclosures have risen sharply. The subprime adjustable-rate mortgages (ARM) are the biggest worry. About two-thirds of these ARMs will "reset" in the next two years, raising monthly mortgage payments, which points to more foreclosures down the road. It also points to lower housing demand, which dampens starts. The ripples from the impact of the weak housing sector could spill over into other sectors. Another worry is inflation. Although energy prices are expected to stabilize, the tight labor market is expected to continue exerting upward pressures on wages. This will make the Federal Reserve's job interesting. This forecast assumes the Federal Reserve will not make any serious policy mistakes. The U.S. economy is not expected to experience a recession over the next few years. After downshifting in the first quarter, real GDP growth should gradually move into higher gear. Specifically, it accelerates from 2.1% growth this year to 2.8% next year to 3.3% in 2009, and 3.1% in 2010.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
APRIL 2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
U.S. GDP (BILLIONS)												
Current \$	9,268	9,817	10,128	10,470	10,961	11,712	12,456	13,247	13,857	14,507	15,275	16,077
% Ch	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%	6.3%	4.6%	4.7%	5.3%	5.2%
2000 Chain-Weighted	9,470	9,817	9,891	10,049	10,301	10,704	11,049	11,415	11,652	11,974	12,366	12,754
% Ch	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.1%	2.8%	3.3%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	29,068	31,290	33,054	33,849	34,816	38,229	40,706	43,924	46,663	49,424	52,647	56,495
% Ch	6.5%	7.6%	5.6%	2.4%	2.9%	9.8%	6.5%	7.9%	6.2%	5.9%	6.5%	7.3%
Idaho Nonfarm (Millions)	28,054	30,448	32,039	32,921	34,099	37,085	39,768	43,013	45,673	48,382	51,559	55,362
% Ch	6.5%	8.5%	5.2%	2.8%	3.6%	8.8%	7.2%	8.2%	6.2%	5.9%	6.6%	7.4%
U.S. (Billions)	7,802	8,430	8,724	8,882	9,164	9,731	10,239	10,883	11,475	12,065	12,769	13,529
% Ch	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.3%	5.4%	5.1%	5.8%	5.9%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	29,788	31,289	32,376	32,690	32,970	35,272	36,507	38,341	39,959	41,544	43,361	45,638
% Ch	4.8%	5.0%	3.5%	1.0%	0.9%	7.0%	3.5%	5.0%	4.2%	4.0%	4.4%	5.3%
Idaho Nonfarm (Millions)	28,748	30,447	31,382	31,795	32,290	34,216	35,665	37,546	39,111	40,668	42,465	44,723
% Ch	4.7%	5.9%	3.1%	1.3%	1.6%	6.0%	4.2%	5.3%	4.2%	4.0%	4.4%	5.3%
U.S. (Billions)	7,996	8,429	8,545	8,578	8,678	8,979	9,183	9,500	9,826	10,141	10,517	10,930
% Ch	3.4%	5.4%	1.4%	0.4%	1.2%	3.5%	2.3%	3.5%	3.4%	3.2%	3.7%	3.9%
HOUSING STARTS												
Idaho	10,335	11,469	12,184	13,206	16,312	18,489	23,173	19,374	16,314	17,411	18,161	19,245
% Ch	2.3%	11.0%	6.2%	8.4%	23.5%	13.3%	25.3%	-16.4%	-15.8%	6.7%	4.3%	6.0%
U.S. (Millions)	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,817	1,413	1,486	1,648	1,717
% Ch	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.4%	-22.2%	5.1%	10.9%	4.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	538,100	558,579	568,033	568,045	572,542	588,053	611,700	639,778	653,525	666,749	682,237	702,261
% Ch	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.6%	2.1%	2.0%	2.3%	2.9%
U.S. (Thousands)	128,992	131,792	131,832	130,347	129,990	131,423	133,696	136,175	137,844	139,287	141,298	143,298
% Ch	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.9%	1.2%	1.0%	1.4%	1.4%
SELECTED INTEREST RATES												
Federal Funds	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.2%	5.0%	5.0%	5.0%
Bank Prime	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.2%	8.0%	8.0%	8.0%
Existing Home Mortgage	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.4%	6.8%	7.0%	7.0%
INFLATION												
GDP Price Deflator	1.4%	2.2%	2.4%	1.7%	2.1%	2.8%	3.0%	2.9%	2.5%	1.9%	2.0%	2.0%
Personal Cons Deflator	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.7%	1.9%	1.9%	2.1%	2.0%
Consumer Price Index	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.1%	1.9%	2.0%	1.9%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FIRST Quarter of 2007**

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	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	13,008	13,197	13,323	13,458	13,644	13,781	13,926	14,077	14,242	14,412	14,597	14,775
% Ch	9.0%	5.9%	3.9%	4.1%	5.6%	4.1%	4.3%	4.4%	4.8%	4.8%	5.2%	5.0%
2000 Chain-Weighted	11,316	11,388	11,444	11,513	11,551	11,615	11,683	11,759	11,839	11,926	12,020	12,111
% Ch	5.6%	2.6%	2.0%	2.5%	1.3%	2.2%	2.4%	2.6%	2.7%	3.0%	3.2%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	42,822	43,832	44,191	44,851	45,716	46,418	46,960	47,558	48,331	49,071	49,767	50,527
% Ch	10.8%	9.8%	3.3%	6.1%	7.9%	6.3%	4.8%	5.2%	6.7%	6.3%	5.8%	6.3%
Idaho Nonfarm (Millions)	41,962	43,003	43,252	43,835	44,656	45,388	46,002	46,646	47,317	48,028	48,704	49,480
% Ch	11.0%	10.3%	2.3%	5.5%	7.7%	6.7%	5.5%	5.7%	5.9%	6.1%	5.8%	6.5%
U.S. (Billions)	10,721	10,807	10,939	11,066	11,286	11,406	11,535	11,672	11,825	11,984	12,142	12,310
% Ch	9.4%	3.2%	5.0%	4.7%	8.2%	4.3%	4.6%	4.9%	5.3%	5.5%	5.4%	5.6%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	37,747	38,257	38,347	39,012	39,434	39,794	40,124	40,483	40,923	41,357	41,733	42,161
% Ch	8.6%	5.5%	0.9%	7.1%	4.4%	3.7%	3.4%	3.6%	4.4%	4.3%	3.7%	4.2%
Idaho Nonfarm (Millions)	36,989	37,533	37,532	38,129	38,520	38,911	39,306	39,707	40,065	40,478	40,842	41,288
% Ch	8.8%	6.0%	0.0%	6.5%	4.2%	4.1%	4.1%	4.1%	3.7%	4.2%	3.6%	4.4%
U.S. (Billions)	9,451	9,433	9,493	9,625	9,735	9,778	9,856	9,936	10,013	10,100	10,182	10,272
% Ch	7.2%	-0.8%	2.6%	5.7%	4.7%	1.8%	3.2%	3.3%	3.1%	3.5%	3.3%	3.6%
HOUSING STARTS												
Idaho	23,122	21,311	18,350	14,714	15,955	16,204	16,392	16,705	17,097	17,420	17,472	17,655
% Ch	10.7%	-27.8%	-45.0%	-58.7%	38.3%	6.4%	4.7%	7.9%	9.7%	7.8%	1.2%	4.3%
U.S. (Millions)	2.123	1.873	1.714	1.559	1.474	1.393	1.377	1.408	1.440	1.463	1.499	1.541
% Ch	12.9%	-39.5%	-29.8%	-31.7%	-20.0%	-20.2%	-4.7%	9.5%	9.2%	6.8%	10.1%	11.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	633,781	637,529	642,218	645,583	648,793	651,758	655,094	658,457	661,475	665,045	668,418	672,057
% Ch	8.4%	2.4%	3.0%	2.1%	2.0%	1.8%	2.1%	2.1%	1.8%	2.2%	2.0%	2.2%
U.S. (Thousands)	135,393	135,913	136,442	136,951	137,428	137,761	137,926	138,259	138,628	139,038	139,499	139,984
% Ch	2.2%	1.5%	1.6%	1.5%	1.4%	1.0%	0.5%	1.0%	1.1%	1.2%	1.3%	1.4%
SELECTED INTEREST RATES												
Federal Funds	4.5%	4.9%	5.2%	5.2%	5.3%	5.3%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Bank Prime	7.4%	7.9%	8.3%	8.3%	8.3%	8.3%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%
Existing Home Mortgage	6.4%	6.6%	6.8%	6.5%	6.4%	6.4%	6.5%	6.5%	6.6%	6.7%	6.9%	6.9%
INFLATION												
GDP Price Deflator	3.3%	3.3%	1.9%	1.7%	4.1%	1.8%	1.9%	1.7%	2.0%	1.8%	2.0%	1.8%
Personal Cons Deflator	2.0%	4.0%	2.4%	-1.0%	3.4%	2.5%	1.3%	1.5%	2.1%	1.9%	2.0%	2.0%
Consumer Price Index	1.9%	5.0%	3.1%	-2.1%	4.1%	2.8%	1.2%	1.5%	2.3%	1.9%	2.0%	2.0%

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